



OFFICE OF THE COMPTROLLER
CITY OF ST. LOUIS



FILE COPY

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DR. KENNETH M. STONE, CPA
Internal Audit Executive

February 7, 2012

Dan Krasnoff, Executive Director
Park Central Development Corporation
4512 Manchester
St. Louis, MO 63110

RE: Community Development Block Grant (CDBG) (Project #2012-CDA20)

Dear Mr. Krasnoff:

Enclosed is the report of the fiscal monitoring review of the Park Central Development Corporation, a not-for-profit organization, CDBG Program, for the period January 1, 2011 through October 31, 2011. The scope of a fiscal monitoring review is less than an audit, and as such, we do not express an opinion on the financial operations of Park Central Development Corporation. Fieldwork was completed on December 30, 2011.

This review was made under authorization contained in Section 2, Article XV of the Charter, City of St. Louis, as revised, and has been conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* and through an agreement with the Community Development Administration (CDA) to provide fiscal monitoring to all grant sub-recipients.

If you have any questions, please contact the Internal Audit Section at 314-657-3490.

Sincerely,

Dr. Kenneth M. Stone, CPA
Internal Audit Executive

Enclosure

cc: Jill Claybour, Acting Executive Director, CDA
Lorna Alexander, Special Assistant for Development, CDA



CITY OF ST. LOUIS

**COMMUNITY DEVELOPMENT ADMINISTRATION (CDA)
COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG)**

**PARK CENTRAL DEVELOPMENT CORPORATION
CONTRACT #11-31-65
CFDA #14.218**

FISCAL MONITORING REVIEW

JANUARY 1, 2011 THROUGH OCTOBER 31, 2011

PROJECT #2012-CDA20

DATE ISSUED: FEBRUARY 7, 2012

**Prepared By:
The Internal Audit Section**



OFFICE OF THE COMPTROLLER

HONORABLE DARLENE GREEN, COMPTROLLER

CITY OF ST. LOUIS
COMMUNITY DEVELOPMENT ADMINISTRATION (CDA)
COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG)
PARK CENTRAL DEVELOPMENT CORPORATION
FISCAL MONITORING REVIEW
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INTRODUCTION

Background

Contract Name: Park Central Development Corporation
Contract Number: 11-31-65
CFDA Number: 14.218
Contract Period: January 1, 2011 through December 31, 2011
Contract Amount: \$168,489

The contract provided Community Development Block Grant (CDBG) funds to Park Central Development Corporation (Agency) to increase property values and the quality of life within the Central West End neighborhood by drawing upon the energy and the talent of those who live and work in the Community. This is to be accomplished through controlled quality development of both residential and commercial properties.

Purpose

The purpose of the review was to determine the Agency's compliance with federal, state, and local Community Development Administration (CDA) requirements for the period January 1, 2011 through October 31, 2011, and make recommendations for improvements, as considered necessary.

Scope and Methodology

Inquiries were made regarding the Agency's internal controls relating to the grants administered by CDA. Evidence was tested supporting the reports the Agency submitted to CDA and other procedures were performed as considered necessary. Fieldwork was completed on December 31, 2011.

Exit Conference

An exit conference was conducted at the Agency on February 2, 2012. The Agency was represented by the Executive Director and the Administrative Assistant. The Internal Audit Section (IAS) was represented by the the Auditor-in-Charge.

Management's Response

Management's response to the observation and recommendation noted in the report was received on January 25, 2012 and has been incorporated into the report.

SUMMARY OF OBSERVATIONS

Conclusion

The Agency did not fully comply with federal, state, and local CDA requirements.

Status of Prior Observations

The Agency's previous fiscal monitoring report, Project #2011-CDA14, issued April 12, 2011, contained two observations:

1. Opportunity to track usage and accrual of vacation and sick leave **(Resolved)**
2. Opportunity to meet contractual obligations **(CDA will monitor the programmatic objectives)**

A-133 Status

According to a letter received from the Agency it did not expend \$500,000 or more in federal funds in its calendar year ended December 31, 2010. The Agency, therefore, was not required to have an A-133 single audit report.

Summary of Current Observations

A recommendation was made for the following observation, which if implemented, could assist the Agency in fully complying with federal, state, and local CDA requirements.

- Opportunity to improve internal controls over vacation leave used, questioned cost \$1,231

DETAILED OBSERVATIONS, RECOMMENDATIONS, AND MANAGEMENT'S RESPONSES

Opportunity To Improve Internal Controls Over Vacation Leave Used, Questioned Costs \$1,231

Two grant funded employees used vacation time without proper accrual. The excess of vacation hours taken over the accrued vacation hours resulted in questioned costs of \$1,231 as follows:

A	B	C	D	E	F	G
Position Title	Hire Date	Vacation Hours Accrued as of October 31, 2011	Vacation Hours Used as of October 31, 2011	Unallowable Hours (C-D)	Hourly Wage Rate	Questioned Cost (E*F)
Community Director	May, 2010	80	112	(32)	14.44	\$(462)
Social Services Coordinator	May, 2010	80	120	(40)	19.23	\$(769)
Total		160	232	(72)		\$(1,231)

According to the Agency's Employee Policies, Agency employees are eligible to receive 80 hours of paid vacation after six months of employment. Thereafter, on the anniversary of each employee's six months of employment, full-time employees receive 120 hours of paid vacation. The Employee Policies further state that vacation days cannot be carried from year to year.

The Agency does not have a system of internal controls in place to ensure that the vacation hours taken does not exceed the accrued vacation hours.

The lack of adequate internal controls for ensuring that the vacation taken does not exceed the accrued vacation may result in an unallowable vacation usage.

Recommendation

It is recommended that the Agency:

- Return to CDA \$1,231 for the reimbursements for the vacation hours taken by the grant funded employees that exceeded the actual accrued vacation hours.
- Establish a system of internal control to ensure compliance with the vacation usage requirements of the Agency's Employee Policies.

Management's Response

In response to the finding that vacation leave used was not properly controlled internally, we contest and state that we have full control over our vacation leave with evidence below. The Park Central Development (PCDC) Employee policies state under section

Term of Employment, "All accrued vacation leave and medical leave are calculated based on the first day that compensation is received."

Under section Vacation, the policy states, "After six months of employment, new full-time employees receive 80 paid hours of vacation leave. Thereafter, on the anniversary of each employee's six months of employment, full-time employees receive 120 paid hours of vacation."

With no language explaining how many hours of vacation are accrued during the first six months of full-time employment, the organization decided that the policy meant that over an employee's first 1.5 years of employment, they shall accrue 80 hours of vacation during their first 6 months, and 80 hours of vacation from month 6 to month 18. After an employee's 18th month of full-time employment, they can accrue 120 hours of vacation each year from then forward.